

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57927

WOODINVILLE FIRE AND LIFE SAFETY DISTRICT

King County, Washington

January 1, 1995 Through August 31, 1996

Issue Date: January 3, 1997

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WOODINVILLE FIRE AND LIFE SAFETY DISTRICT
King County, Washington
January 1, 1995 Through August 31, 1996

Background

Due to the fire chief's resignation on September 15, 1996, Woodinville Fire and Life Safety District officials requested the 1995 audit be expanded through August 31, 1996.

WOODINVILLE FIRE AND LIFE SAFETY DISTRICT
King County, Washington
January 1, 1995 Through August 31, 1996

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board of Commissioners
Woodinville Fire and Life Safety District
Woodinville, Washington

We have audited the financial statements, as listed in the table of contents, of the Woodinville Fire and Life Safety District, King County, Washington, as of and for the eight months ended August 31, 1996, and the fiscal year ended December 31, 1995, and have issued our report thereon dated October 14, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 14, 1996

WOODINVILLE FIRE AND LIFE SAFETY DISTRICT
King County, Washington
January 1, 1995 Through August 31, 1996

Schedule Of Findings

1. Woodinville Fire And Life Safety District Officials Should Deposit Cash Receipts To The County Treasurer's Office In A Timely Manner

During our review of the district's cash receipting procedures, we noted checks and cash are not transmitted to the county treasurer timely. It was noted the transmittals to the county treasurer were made only once every three weeks to a month. Among one of the late deposits was a check in the amount of \$249,702 which was held for three weeks before being remitted to the county treasurer.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public, shall deposit such moneys collected or received with the treasurer of the taxing district once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible.

By not transmitting receipts on a timely basis, the district is not obtaining maximum investment earnings on the money. Also, the district's failure to deposit receipts in a timely manner results in a risk that errors or irregularities could occur and not be detected in a timely matter.

This was an informal written recommendation in the prior audit; however, it was not implemented for the current audit period. The district administrative assistant has indicated this recommendation will be implemented immediately.

We recommend district officials transmit all funds to the county treasurer in a timely manner.

2. District Officials Should Strengthen Procedures Over Use Of Purchase Orders

Our review of the district's purchase order procedures indicated several internal control weaknesses.

- a. Items, as described on purchase orders, do not agree to items on the actual invoices.
- b. Purchase orders do not give approximate cost for items.

- c. Several purchase orders reviewed show no evidence of approval by the administrative assistant.
- d. Purchase orders are filled out and approved by the same person.
- e. Several purchase orders reviewed referred to pertinent information that was "to be attached." Nothing was attached.
- f. Purchase orders are incomplete; several showed the vendor name and no description, or the description and no vendor name.

The district's policies and procedures, Article 100, Section 11, Part 7.3, states:

All purchases require a purchase order which will be obtained from the administration offices. All purchase orders shall be required to have a budget code and vendor number which will be provided by the custodian. The Administrative Assistant shall promptly review every purchase order submitted and return it to the originating custodian with the approved action. (Administration initials indicate approval.)

The purchase order system as it currently operates does not provide adequate controls over district purchases.

Lack of adequate purchase order policies and procedures allows the likelihood of purchases made without proper approval, items purchased without district official's knowledge, and purchases paid for at an incorrect price.

We recommend district officials strengthen purchase order policies and procedures by correcting the deficiencies noted above.

3. District Officials Should Follow Formal Bid Laws On Purchases Of Uniforms

Our audit revealed district officials purchased similar type uniforms for \$18,619.22 in 1995 and \$17,496 through June 1996. Phone quotes were obtained from several contractors. However, this purchase did not follow formal sealed bid procedures and district officials failed to advertise for competitive bid as required by state law. Additionally, district officials likely circumvented the bid process by splitting purchases to stay under the bid law thresholds. District officials incorrectly believed phone quotes achieved compliance with legal requirements.

RCW 52.14.110, Purchases and public works - Competitive bids required, states in part:

A formal sealed bid procedure shall be used as standard procedures for purchases and contracts for purchases executed by the board of commissioners. Formal sealed bidding shall not be required for: . . .

(2) The purchase of any materials, supplies, or equipment if the cost will not exceed the sum of four thousand five hundred dollars. However, whenever the estimated cost is from four thousand five hundred dollars up to ten thousand dollars, the commissioners may by resolution use the process provided in RCW 39.04.190 (vendor list) to award contracts.

RCW 52.14.120, Purchases and public works - Competitive bidding procedures, states in part:

(1) Notice of the call for bids shall be given by publishing the notice in a newspaper of general circulation within the district at least thirteen days before the last date upon which bids will be received.

By not following bid law procedures, district officials cannot be assured of obtaining uniforms at the best possible price nor are all vendors provided equal access and opportunity to bid.

We recommend district officials establish policies for formal sealed bid procedures and the advertisement of purchases for competitive bid to ensure compliance with state bid laws.

4. District Officials Should Obtain Adequate Documentation To Support Credit Card Purchases

During our audit of the district's 1995 and 1996 credit card expenditures, we noted several instances where the former fire chief's credit card purchases did not have adequate supporting documentation. Out of 20 transactions tested in 1995 and 1996, 12 transactions in the amount of \$715.45 had no receipts attached, and 7 transactions in the amount of \$987.05 had credit slips showing totals instead of receipts showing detail.

RCW 43.09.200, Local government accounting, states in part:

The accounts shall show the . . . vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

This situation occurred because the former fire chief circumvented internal controls over credit card use.

Lack of proper documentation for transactions exposes the district to the risk of making improper and possibly invalid payments.

We recommend district officials obtain adequate documentation necessary to support all transactions as required by state law.

Auditee's Response

On behalf of the Board of Fire Commissioners of Woodinville Fire and Life Safety District, we would like to thank you for conducting the annual audit of our department. It is our goal to conduct the business of the Fire District in the most efficient manner possible. Your recommendations and the changes we will make based upon your recommendations will assist us in this effort.

We are moving forward with policies to correct items 1, 2 and 3 in your report. New or updated procedures will be written that address these items. Item 4, we feel will no longer be an issue as current employees of the District will follow the procedure of providing receipts for credit card transactions.

Again we thank you for identifying areas in which we can improve our financial policies. Through our efforts we can ensure cost effective use and documentation of taxpayer dollars.

Auditor's Concluding Remarks

We appreciate district management's positive response and will review their progress during our next audit.

WOODINVILLE FIRE AND LIFE SAFETY DISTRICT
King County, Washington
January 1, 1995 Through August 31, 1996

Independent Auditor's Report On Financial Statements And Additional Information

Board of Commissioners
Woodinville Fire and Life Safety District
Woodinville, Washington

We have audited the accompanying Statements of Assets and Liabilities Arising from Cash Transactions and Statements of Fund Resources and Uses Arising from Cash Transactions and Other Changes in Fund Balance of the various funds of the Woodinville Fire and Life Safety District, King County, Washington, for the eight months ended August 31, 1996, and the fiscal year ended December 31, 1995. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the district prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The district did not present note disclosure for the eight months ended August 31, 1996, and the fiscal year ended December 31, 1995. Presentation of such notes would provide additional information regarding the district operating, investing, and financing activities. Note disclosure is required by generally accepted accounting principles.

In our opinion, except that the lack of note disclosure results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, recognized revenues, and expenditures of the funds of the Woodinville Fire and Life Safety District for the eight months ended August 31, 1996, and the fiscal year ended December 31, 1995, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected

to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

October 14, 1996